94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 94-1455

PEANUT ACT OF 1976

AUGUST 31, 1976.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FOLEY, from the Committee on Agriculture, submitted the following

REPORT

together with

ADDITIONAL VIEWS AND SUPPLEMENTAL VIEWS

(Including Congressional Budget Office estimates)

[To accompany H.R. 12808]

The Committee on Agriculture, to whom was referred the bill (H.R. 12808), to amend sections 358, 358a, 359, and 373 of the Agricultural Adjustment Act of 1938 and title I of the Agricultural Act of 1949 for the purpose of improving peanut programs, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, line 6, strike "(j)" and insert in lieu thereof "(k)".

Page 2, line 10, strike "(k)" and insert in lieu thereof "(l)".

Page 3, line 3, strike "(l)" and insert in lieu thereof "(m)".

Page 3, line 6, strike "(m)" and insert in lieu thereof "(n)".

Page 3, lines 7 and 13, strike "means" and insert "mean" in lieu thereof.

Page 4, line 1, strike "(n)" and insert in lieu thereof "(o)".

Page 4, line 9, strike "transfer" and insert "transfers" in lieu thereof.

Page 5, line 2, strike "for storage contract".

Page 5, line 19, strike "market" and insert in lieu thereof "marketed from any crop".

Page 5, line 23, after "acquired by such handler" insert "from such crop".

Page 5, strike lines 24 and 25, and on page 6, strike lines 1, 2 and 3, and insert in lieu thereof:

> such handler shall be subject to a penalty equal to the loan level for quota peanuts on the peanuts which the Secretary

determines are in excess of the quantity, grade or quality of the peanuts that could reasonably have been produced from such crop.

Page 6, line 17, strike "May 1" and insert in lieu thereof "June 15".

Page 7, lines 15 and 23, after "April 15" insert "of the year in which the crop is produced".

Page 7, line 24, strike "The" and insert in lieu thereof "In carrying out subsections (a) and (b) of this section, the".

Page 8, line 1, strike "chapter 14, subchapter B, part 1446.4" and insert in lieu thereof "7 CFR part 1446, section 1446.4".

Page 9, lines 9, 11, and 15, insert the word "the" after the words "above", "from", and "above", in such lines, respectively.

Page 11, line 5, strike "1977" and insert in lieu thereof "1978".

Page 11, immediately after line 9, insert the following new section:

SEC. 11. Sec. 407 of the Agricultural Act of 1949 is amended by adding the following at the end thereof:

Notwithstanding any other provision of this section, any peanuts from the 1976 crop received under loan which are not needed for domestic food and related uses shall be offered for sale for crushing, export, or both at competitive market prices.

and in the title, strike "title I of" and insert in lieu thereof "to amend".

BRIEF EXPLANATION OF THE LEGISLATION

H.R. 12808, as amended, provides as follows:

1. A new one-year peanut program is established to be effective for the 1977 crop.

2. National minimum peanut allotment would be reduced from 1,610,000 acres to 1,247,000 acres in 1977, a reduction of 22.5 percent. Each peanut farm would immediately be placed on a poundage quota based upon 96 percent of the average yield of the high three out of the previous five calendar years.

3. Loan level on quota peanuts from allotted acreage would be reduced from 75 percent of parity to 70 percent of parity net to the producer.

4. Unrestricted production of non-quota peanuts would be allowed by new or old growers for export and crushing and for domestic edible use as needed. Loan level for non-quota peanuts is set at not more than 60 percent of loan level for quota peanuts or 90 percent of their estimated value for crushing and export, whichever is lower.

5. All non-quota peanuts must be marketed through the area grower associations or through handlers under the supervision of the area grower associations. CCC would require that each area marketing association maintain complete and accurate records by type for "quota" and "non-quota" peanuts.

6. All non-quota peanuts, except those contracted by handlers, will be placed in pools by area and by type to be marketed by the grower associations for crushing and export unless needed for domestic edible use.

7. Any peanuts including non-quota peanuts sold for domestic edible use must be sold at not less than the quota loan level if sold upon delivery of producer during harvest, 105 per centum of quota loan level

if sold thereafter, but not later than December 3, 1977, or 107 per centum of quota loan level if sold afterwards, plus markup to cover association costs. Proceeds from sales of quota and non-quota peanuts in each type pool, after deducting association costs, would be returned to the grower.

8. Handlers may contract with growers to produce non-quota peanuts solely for crushing or export. A copy of the contract between sheller and grower shall be submitted for approval to the area association not later than June 15, and the association would insure through supervision and recordkeeping that they were disposed of for crushing or export only. However, such peanuts shall not be included within the loan pool of the association.

9. All seed shall be obtained from quota peanuts regardless of whether used to plant quota or non-quota peanuts.

10. The Secretary shall require that all acreage planted to peanuts in the U.S. be measured. (This applies to quota or non-quota peanuts.)

11. Lease and transfer of peanut allotments would be permitted under law and not subject to discretion of the Secretary.

12. Any 1976 and 1977 crop peanuts received under loan and not needed for domestic edible use would be required to be sold for crushing and export at competitive market prices.

Purpose and Need for the Legislation

The Peanut Act of 1976 provides a sharp reduction in the cost of the peanut program to the Federal Government, assures U.S. consumers continued abundant supplies of high quality high-protein peanut products at reasonable prices, provides minimum—though reduced income protection to the nation's present peanut farms who have large investments in peanut production, and finally, will give growers (old or new) unrestricted opportunities to produce U.S. peanuts for export or crushing at competitive world prices.

According to U.S. Department of Agriculture figures, net realized losses by the Commodity Credit Corporation on the 1975 crop are estimated to total $213 million, or more than the amount spent in any of the first 25 years of peanut price support operations. Program losses on the 1974 crop have been estimated at $155 million to $160 million (1974), and losses incurred for prior years have been $4.8 million (1973), $58.5 million (1972), $97.3 million (1971), $66.3 million (1970), $36 million (1969), $38.8 million (1968), $48.2 million (1967), and $43.8 million (1966).

There are several reasons for the dramatic increase in program costs over the years. Under the program that has been in effect for over 25 years all peanuts produced on an allotment of at least 1.61 million acres are eligible for price support at a minimum level of 75 percent of parity for the commodity. Traditionally, peanuts have been marketed under a two-price system. A higher price has applied to peanuts sold for domestic edible use (i.e., for salting, peanut butter, confectionary and "ball-park" uses) and a lower price for peanuts sold for crushing into oil and for export. The peanuts sold for domestic edible use have sold commercially at prices approximating the price support loan rate or higher while peanuts for crushing and export have usually sold at lower prices. except in periods of short supply.

As stated by the General Accounting Office in an April 13, 1973, report to Congress (GAO Report B–163484) since 1955 the supply of peanuts has exceeded commercial demand for peanuts for domestic edible use, largely because of sharp increases in yields. While commercial demand for peanuts for domestic edible use has increased in this period, the increase has not been at the same rate as the increase in yields. Since the minimum national allotment acreage of 1.61 million was set in 1941, crop yields have risen from 776 pounds per acre to 2,577 in 1975. The Commodity Credit Corporation has acquired the surplus peanuts under the price support loan program and usually has disposed of them for secondary uses at prices less than their acquisition cost. The GAO concluded that—

> Anticipated losses could be substantially reduced if the minimum acreage provision of the act were rescinded, so as to allow the Secretary flexibility to adjust the allotment to keep production more in line with demand. The Department and the Congress would decide the rate of reduction and the level to which the allotment would be adjusted.

Program cost increases, at least since 1974, are also the result of the surplus disposal policies of the U.S. Department of Agriculture. Beginning with the 1974 crop, the USDA instituted its "minimum sales policy" which required that no peanuts acquired by CCC would be disposed of at less than 100 percent of the loan level. Previously, the CCC had offered the surplus for sale for export and crushing at market prices.

Under the new policy, peanuts not sold at the minimum rate are disposed of through various foreign and domestic donation programs, including child nutrition programs, title II of Public Law 480, and private relief agencies from which the government receives no monetary returns. Since institution of this policy, peanuts acquired under the loan program have been sold at the loan rate only in periods of world shortages. The increase in the cost of the program from $4.8 million in 1973 to $171 million in 1974 is directly attributable to the Department's minimum sales policy. The Committee concurs with the view expressed by the Senate Committee on Agriculture and Forestry in a 1975 study (Senate Report 94–51) that—

> Such an increase in the cost of the peanut program is totally unwarranted and, as a matter of fact, totally unnecessary. This excessive estimated cost would never have occurred except for the imposition of the new sales policy by the CCC.

The Peanut Act of 1976 would reduce the cost of the program for the 1977 crop by reducing the quantity of peanuts eligible for support at the higher loan rate, the rate established for peanuts sold for primary use. This would be accomplished by reducing the allotment by 22.5 percent and limiting the quantity of peanuts eligible for support at the level for quota peanuts to 96 percent of the quantity produced in the high three of the prior five-year period. Secondly, the support level would be reduced to 70 percent of parity. This would be in contrast to the current program, under which all peanuts produced on an allotment of at least 1.61 million acres are eligible for support at a minimum level of 75 percent of parity.

Program costs would also be reduced by the provisions in the bill that require the Secretary to sell peanuts of the 1976 and 1977 crops for crushing and for export at competitive market prices if they are not needed for food and related uses.

This change in sales policy would result in substantial returns on sales of surplus peanuts, instead of the situation whereby surplus peanuts acquired under the price support program that cannot be sold at 100 percent of the loan rate are given away in outlets that produce no dollar returns to the government or are permitted to spoil in inventory. The Congressional Budget Office estimates that H.R. 12808 would cut costs on the 1977 crop by more than one-half. The Department of Agriculture also projects a significant decrease in costs under the provisions of H.R. 12808. (See the current and 5 subsequent fiscal year cost estimates section of this report.)

Another purpose of the Peanut Act of 1976 is to allow the unrestricted production of peanuts, by old and new growers, for the export and crushing markets. The traditional allotment holders would retain the domestic edible market—i.e., the market for peanuts for salting, peanut butter, and confectionary uses—for the marketing of "quota" peanuts grown within the allotment and quota restrictions. Peanuts produced in excess of allotments would be supported at the lower of 90 percent of the estimated world price or 60 percent of the support price for quota peanuts. The peanuts grown without restrictions, the "non-quota" peanuts, could be expected to enhance the position of the United States as the leading exporter of peanuts, especially of edible grade peanuts. Non-quota peanuts could enter the domestic market for crushing purposes, but could enter the domestic edible market only under limited circumstances.

At the same time that the bill reduces the cost of the program it attempts to protect the interests of the basic peanut producing areas of the country. Peanuts are produced primarily in three areas of the country—in the Texas and Oklahoma area (where primarily Spanish type and to some extent runner type peanuts are produced), the Virginia-Carolina area (where Virginia type peanuts are produced), and the Alabama, Georgia and Florida area (where runner type peanuts are produced). The bill requires that separate pools be established under the price support program for quota and non-quota peanuts by type and by area and that net gains from each of the pools be distributed to producers in proportion to the value of the peanuts placed in the pool by the grower. If a shortage develops in a particular type of peanut for the domestic edible market then buyers could obtain non-quota peanuts from the pool at not less than specified prices keyed to the loan rate for quota peanuts. Otherwise, all peanuts produced in excess of quotas would be for crushing and export only.

Peanut producers need the continued assistance that would be provided under H.R. 12808 because of the unique nature of the commodity. Termination of a peanut support program would result in severe economic hardship to producers in all the peanut producing areas. Peanuts are produced typically by a small family farmer with an average allotment of only 25 acres.

Furthermore, the commercial trade does not provide warehouses and elevators where the individual farmer can store his peanuts and

obtain a warehouse receipt on which he can obtain a bank loan and against which he can subsequently sell a stated grade and quantity of peanuts. These services are not provided because of the nature of the commodity. Each lot of peanuts, when delivered by the farmer, is a mixture of quality factors. Grading is difficult. Peanuts cannot be carried satisfactorily from one crop year to another. They deteriorate in storage—in varying proportions from warehouse to warehouse, from one area to another and from one year to another. Before moving into food use they require milling with separation into various grades and qualities.

For peanuts, unlike cotton and the grains, the farmer needs assistance in obtaining inspection, storage and financing until the peanuts can be sold in an orderly manner. This entails "mixing" or "pooling" of peanuts from many farms.

The farmer also needs assistance in the marketing of his peanuts as he generally cannot store and later obtain delivery of his peanuts for sale from the storage warehouse.

With price support loans and related operations, the farmer has an effective means of obtaining the value of his peanuts in the primary food market. He also has a means for moving any production above food requirements into the secondary crushing and export market in an orderly manner.

H.R. 12808 represents a compromise between the various peanut producing areas and is a practical solution to the problems faced by the industry. The Committee is of the view that it is a positive step in the right direction. It is a one-year bill and Congress will have an opportunity further to examine the issue at the time it develops the general farm bill for 1978 and subsequent crops.

Historical Background

H.R. 12808, the Peanut Act of 1976, is one of a series of bills proposed since 1933 to stabilize the production and prices of farm commodities at levels reasonable to both producers and consumers.

With the coming of the Depression, the demand for governmental assistance to agriculture had greatly intensified, and the peanut industry in the south was one of the most seriously affected.

> The unprecedented economic crisis which paralyzed the Nation by 1933 struck first and hardest at the farm sector of the economy. For agriculture and rural America, it was the worst economic-social-political wrenching in history. Farmers were forced to the wall. Foreclosures were the order of the day. Realized net income of farm operators in 1932 was less than one-third of what it had been in 1929. Farm prices fell by more than 50 percent, while prices of goods and services farmers had to buy declined 32 percent. With the United States moving from a debtor to a creditor nation after World War I, and continued loss in the volume and price of exports, the relative decline in the farmers' position had begun in the summer of 1920. Thus, for a decade farmers were caught in a serious squeeze between the prices they received and the prices they had to pay before the situation became critical and a

major element of the Depression. (Wayne D. Rasmussen, et al., "A Short History of Agricultural Adjustment," 1933–75, U.S. Department of Agriculture, Agriculture Information Bulletin No. 391.)

The situation in the peanut producing areas had become particularly acute. By 1932 peanut prices had plunged to 1.55 cents per pound or one-third of the price received twenty years earlier and far below the 9.3 cents enjoyed at the end of World War I.

Congress reponded to the dilemma of the nation's farmers with passage of the Agricultural Adjustment Act of 1933 (48 Stat. 31) under which it attempted to restore farm purchasing power through acreage controls and other devices with the goal of raising farm prices towards "parity". Parity prices are those which would restore the purchasing power of agricultural commodities to the level which had been obtained on the acreage in a previous period, typically the five years ending July 1914. The present formula for determining parity is found in section 301 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1301). Peanuts were not among the original seven basic commodities covered under the 1933 Act, but were added in 1934 by the Jones-Connally Act (48 Stat. 528).

The production control provisions of this legislation were invalidated in 1936 by the Supreme Court in the case of *United States* v. *Butler*, 271 U.S. 1. A new approach was then sought to assist producers, and Congress enacted the Soil Conservation and Domestic Allotment Act of 1936 (49 Stat. 163, 1148) under which payments were made to producers of various crops, including peanuts, for diverting acreages to soil conserving legumes and grasses.

This Act was supplemented in 1938 by the Agricultural Adjustment Act of 1938 (52 Stat. 31) in which discretionary authority was given the Secretary to support peanut prices through non-recourse loans. Legislation enacted April 3, 1941 (55 Stat. 88), amended the 1938 Act to make price support mandatory on peanuts at 50 to 90 percent of parity. In addition, a marketing quota program was provided for peanuts. Quotas were to be proclaimed when supplies reached certain levels. Approval of a quota program at a producer referendum was required for quotas to become effective. If disapproved, the support level was reduced to 50 percent of parity. If quotas were in effect then producers were not permitted to produce in excess of their allotments. That legislation established the minimum acreage allotment on peanuts at 1.61 million acres. The quota provisions of the 1941 legislation have remained practically unchanged until the current date.

On December 26, 1941, price support on peanuts was increased to 85 percent of parity and it was further raised to a minimum level of 90 percent of parity by a law approved on October 2, 1942. Quotas for peanuts were suspended for the 1943 crop and none proclaimed again until 1948. During this period controls were removed on this and many other commodities to secure increased production during the war and immediate post-war period.

With the establishment of marketing quotas for peanuts by legislation of April 3, 1941, the Depression-year programs for peanuts had evolved into the basis for the present-day program.

> The principal objective of the depression decade programs was to protect and stabilize the market for "edible" nuts, that is, for nuts used as peanuts, not as peanut oil. That market is relatively inelastic. Hence, any increase in the supply of nuts flowing into it would reduce prices drastically. Efforts were therefore centered on holding out of the edible nut market quantities in excess of the amounts that market would absorb at prices considered acceptable. The remainder was diverted to the much wider vegetable oil market by means of diversion purchases, two-price arrangements and other devices. Conservation payments were made for diverting land from peanut production and later, acreage allotments and marketing quotas were used in the effort to hold down production. (Murray R. Benedict, "The Agricultural Commodity Programs, 1956.")

The last major change in the peanut program occurred with the passage of the Agricultural Act of 1949 (63 Stat. 1051) that directed the Secretary of Agriculture to "make available through loans, purchases, or other operations, price support to cooperators for any crop of any basic agricultural commodity . . ." at certain prescribed levels. Price support provisions in prior laws, including the 1941 law in the case of peanuts, were superseded or repealed. Price support levels on peanuts were maintained at 90 percent of parity through the post-World War II period and by amendments to the 1949 Act were reduced gradually until flexible supports with a minimum level at 75 percent of parity became effective with the 1956 crop (68 Stat. 897).

The marketing quota provisions of the 1941 law, which set the quantity of peanuts sufficient to provide a national acreage allotment of not less than 1.61 million acres as the minimum national marketing quota that could be announced, and the price support provisions of the 1949 Act, which set the minimum price support level at 75 percent of parity, are the key features of the present peanut program.

The present-day policies of the Federal Government toward the peanut industry are a product of economic and political developments over a period of more than 40 years.

Section-by-Section Analysis

Section 1—This section cites the Act as the "Peanut Act of 1976".

Section 2—This section amends section 358 of the Agricultural Adjustment Act of 1938 by making the following provisions inapplicable to the 1977 crop of peanuts:

Section 358(a) that sets the national minimum allotment acreage at 1.61 million acres. A new section 358(k) added by H.R. 12808 lowers the minimum by 22.5 percent.

Section 358(b) providing for a referendum to determine if farmers are in favor or opposed to marketing quotas for peanuts. This section is deleted because H.R. 12808 provides for unrestricted production of peanuts without marketing penalties for the crushing and export markets.

Section 358(e) authorizing the Secretary under certain circumstances to apportion the State acreage allotment by counties. The option in this provision is made inapplicable to the 1977 crop because it

has never been used. The policy has been to apportion the allotment by State and then by farm. This policy would continue under H.R 12808.

Section 358(f) allowing for the apportionment of new farm allotments of not more than 1 per centum of the State acreage allotment. H.R. 12808 does not provide new farm allotments for the 1977 crop because this legislation cuts sharply the allotments to traditonal allotment holders and new growers are free to produce without restriction for the crushing and export markets.

Section 358(c)(2) authorizing the Secretary to increase the allotment and marketing quota for any State producing a type of peanut in short supply. This subsection is deleted because H.R. 12808 provides for the additional marketing of peanuts of non-quota peanuts of types in short supply through an area pool system.

A clause in sec. 358(d) on apportionment of allotments that says "the amount of the marketing quota for each farm shall be the actual production of the farm-acreage allotment, . . ." A new section 358(m) provides a different formula for establishing the farm marketing quota.

Section 3—This section amends section 358 of the Agricultural Adjustment Act of 1938 by adding new subsections (k), (l), (m), (n), and (o) effective only for the 1977 crop of peanuts:

Section 358(k). This subsection provides that the Secretary shall, not later than December 1, 1976, announce a national acreage allotment for peanuts for the 1977 crop of not less than 1.247 million acres.

This key feature of H.R. 12808 reduces the national allotment of peanuts by about 22.5 percent to reduce production of surplus peanuts for domestic edible use.

Subsection (l) provides for the determination of a farm yield for each farm for which an allotment has been established equal to 96 percentum of the average of the actual yield per acre on the farm for each of the three years in which yields were highest on the farm out of the five calendar years immediately preceding the year for which such farm yield is determined. Provision is made for the Secretary to have a yield appraised for a farm if peanuts were not produced on the farm in at least three years during such five-year period. The appraised yield would be 90 per centum of the amount determined to be fair and reasonable on the basis of yields established for similar farms in the area.

The farm yield is used to determine the marketing quota as provided for in subsection (m).

Subsection (m) provides that for each farm, a farm marketing quota shall be established equal to the quantity determined by multiplying the farm peanut acreage allotment by the farm yield.

Subsection (n), paragraph (1) defines "quota" peanuts as those which are eligible for domestic food and related uses which are marketed or considered marketed from a farm, and which do not exceed the farm marketing quota of such farm for such year.

Subsection (n), paragraph (2) defines "non-quota" peanuts as those which are marketed from a farm in excess of the marketings of quota peanuts.

Subsection (n), paragraph (3) defines the term "crushing" as the processing of peanuts to extract oil for food uses and meal for feed uses, or the processing of peanuts by crushing or otherwise when

authorized by the Secretary for the production of new peanut products which the Secretary determines will not compete with or displace existing or new peanut products which are or will be produced commercially for food and related uses from quota peanuts.

Subsection (o) provides that the allotment for New Mexico shall not be reduced below the 1975 acreage allotment as increased pursuant to section 358(c)(2) of the Agricultural Adjustment Act of 1938.

Because of the small number of peanuts, mostly of the Valencia type, which are not in surplus and are grown in New Mexico, a determination was made that reducing the allotment for New Mexico would serve no useful purpose.

Section 4—This section amends section 358a of the Agricultural Adjustment Act of 1938, relating to sale, lease, and transfer of peanut acreage allotments, by adding a new subsection (i) effective for the 1977 peanut crop.

Subsection (i) provides that transfers shall be on a pound-for-pound basis, and the acreage allotment for the receiving farm shall be increased by an amount determined by dividing the number of pounds transferred by the farm yield for the receiving farm, and the acreage allotment for the transferring farm shall be reduced by an amount determined by dividing the number of pounds transferred by the farm yield for the transferring farm.

Section 5—This section amends section 359 of the Agricultural Adjustment Act of 1938 relating to marketing penalties.

Paragraph (1) amends section 359(a) of the Act by changing the penalty for marketing peanuts in excess of the marketing quota from 75 percent to 100 percent of the support rate for quota peanuts. Nonquota peanuts can escape the marketing penalty by being placed under loan or marketed under contracts between handlers and producers pursuant to the provisions of the new section 359(j) added by H.R. 12808.

Paragraph (2) adds new subsections (g), (h), (i) and (j) to section 359 of the Agricultural Adjustment Act of 1938 as follows:

Section 359(g) provides that all seed peanuts must come from quota peanuts.

Section 359(h) provides that upon a finding by the Secretary that the peanuts marketed for domestic food and related uses by any handler are larger in quantity or higher in grade or quality than the peanuts that could reasonably be produced from the quantity of peanuts having the grade, kernel content, and quality of the peanuts acquired by such handler for such marketing, such handler shall be subject to a penalty equal to the loan level for quota peanuts on the peanuts which the Secretary determines are in excess of the quality, grade or quality of the peanuts that could reasonably have been produced. This provision is designed to help insure that quota and nonquota peanuts move in their respective channels of trade as required by law. If the peanuts were commingled in such a way as to boost the quality of a given quantity of quota peanuts, this would tend to displace other quantities of quota peanuts.

Section 359(i) requires that all peanut acreage to be measured and that handling and disposal of nonquota peanuts be supervised by the area marketing associations. This is to aid in the enforcement of the peanut program established by H.R. 12808. Section 359(i) also provides that quota and nonquota peanuts of like type and segre-

gation or quality may, under regulations prescribed by the Secretary, be commingled and exchanged on a dollar value basis to facilitate warehousing, handling, and marketing.

Section 359(i) provides that producers and handlers may contract for the production of nonquota peanuts for export and crushing at an agreed upon price. Such contracts must be submitted to the area association for approval prior to June 15 of the year in which the crop is produced.

Section 6—This section provides that section 359(b) of the Agricultural Adjustment Act of 1938, which makes marketing penalties inapplicable to peanuts produced on any farm harvesting one acre or less of peanuts, shall not be applicable to the 1977 crop of peanuts.

Section 7—Section 7 mends section 373(a) of the Agricultural Adjustment Act of 1938 by including all farmers engaged in the production of peanuts among those who are required to keep records and submit reports as the Secretary finds necessary to carry out the peanut program. The amendment is effective for the 1977 crop of peanuts.

Section 8—This section amends Title I of the Agricultural Act of 1949, relating to price support for basic agricultural commodities by adding a new section 108, effective for the 1977 crop of peanuts:

Section 108(a) requires the Secretary to make price support available to producers through loans, purchases, or other operations on quota peanuts for the 1977 crop at a net level of not less than 70 per centum of the parity price as of April 1, 1977. The price-support level shall be announced not later than April 15 of the year in which the crop is produced.

Subsection (b) requires the Secretary to make price support available through loans, purchases, or other operations on nonquota peanuts at not more than 60 per centum of the loan and purchase level for quota peanuts or 90 per centum of the estimated value of peanuts for crushing, export, or both for the marketing year of the crop as estimated by the Commodity Credit Corporation, whichever is lower. The price support level shall be announced not later than April 15 of the year in which the crop is produced.

Subsection (c), paragraph (1) requires the Commodity Credit Corporation to make warehouse storage loans available in each of the three producing areas to a designated area marketing association of peanut producers which is selected and approved by the Commodity Credit Corporation and which is operated primarily for the purpose of conducting such loan activities. This provision establishes in the law the relationship between the area associations and CCC that exists now by regulation. Under the existing regulations, the associations operate under loan and handling agreements with CCC, pursuant to which they contract with warehousemen to receive, handle, and store collateral peanuts and to issue warehouse receipts to CCC and drafts to growers. The paragraph also requires the loans to include in addition to the price support value of the peanuts sums necessary to pay for inspection, handling, storage and other expenses in carrying out price support and marketing activities.

Paragraph (2) requires that each area association establish pools and maintain complete and accurate records by type for quota peanuts handled under loans and for non-quota peanuts produced without

a contract between handler and producer. Net gains for peanuts in each pool shall consist of (A) for quota peanuts, the net gains over and above loan indebtedness and other costs or losses incurred on peanuts placed in such pool plus an amount from the pool for non-quota peanuts to the extent of the net gains from the sale for domestic food and related uses of non-quota peanuts in the pool for non-quota peanuts equal to any loss on disposition of all peanuts in the pool for quota peanuts, and (B) for non-quota peanuts, the net gains over and above loan indebtedness and other costs or losses incurred on peanuts placed in the pool for nonquota peanuts less any amount allocated to offset any loss on the pool for quota peanuts as provided in clause (A) of this paragraph. Any distribution of net gains on non-quota peanuts of any type to any producer shall be reduced to the extent of any loss by CCC on quota peanuts of a different type placed under loan by such grower.

The effect of section 108(c) (2) in establishing the area pool concept is to give producers an opportunity to market non-quota peanuts for domestic edible uses at quota prices whenever the commercial demand for a type of quota peanut exceeds the supply of that type of quota peanut in a given area. Non-quota peanuts, however, cannot be marketed for domestic edible use through contracts between a producer and a handler.

Paragraph (3) requires that peanuts received under loan by the area associations be offered for sale for domestic food and related uses at prices not less than those required to cover all costs incurred by such associations for inspection, warehousing, shrinkage, and other purposes, plus (A) 100 per centum of the quota loan value if the peanuts are sold and paid for during the harvest season upon delivery by the producer or (B) 105 per centum of the quota loan value if sold after delivery by the producer but not later than December 31 of the marketing year, or (C) 107 per centum of the quota loan value if sold later than December 31 of the marketing year. However, the quantity of non-quota peanuts of any type purchased by any handler for domestic food and related uses in any area during the harvest season for any crop shall be limited to not more than one-third of the purchases of quota peanuts of such type in the area by the handler during such harvest season.

Paragraph (4) provides that any quota and non-quota peanuts received under loan which are not needed for domestic food and related uses under paragraph (3) of this subsection shall be offered for sale for crushing, export, or both at competitive market prices. The purpose and intent of this provision is to require that such peanuts must be offered for sale for domestic crushing, for export crushing, and for export edible uses at competitive market prices, so as to maximize returns on peanuts owned or controlled by CCC under the price support program, avoid the type of losses incurred under the present minimum sales policy of the Department and assist U.S. producers in competing on world markets.

Section 9—This section amends section 358a(a) of the Agricultural Adjustment Act of 1938, relating to sale, lease, and transfer of peanut acreage allotments, by requiring the Secretary to permit such sale, lease, and transfer. Under existing law, this is within the Secretary's

discretion. The change made by section 9 is effective for the 1977 and subsequent crops of peanuts.

Section 10—This section amends section 358(b) of the Agricultural Adjustment Act of 1938, concerning referendums of producers of the 1978 and subsequent crops, by limiting participation in such referendums to farmers engaged in the production of peanuts on farms for which an acreage allotment is established.

Section 11—This section amends section 407 of the Agricultural Act of 1949, relating to restrictions on sales by CCC, by providing that any peanuts from the 1976 crop received under loan which are not needed for domestic food and related uses shall be offered for sale for crushing, export, or both at competitive market prices. This provision, like a comparable provision for the 1977 crop, requires that such peanuts must be offered for sale for domestic crushing, for export crushing, and for export edible uses at competitive market prices.

Section 11 corresponds to a similar provision in section 8 applying to the 1977 crop of peanuts.

Committee Consideration

HEARINGS

The Subcommittee on Oilseeds and Rice held hearings on April 12 and 13, 1976, on bills that would change the peanut program. Most of the testimony related to H.R. 12808, Peanut Act of 1976, sponsored by Congressman Dawson Mathis and 20 others and an identical bill, H.R. 12964 by Congressman Omar Burleson, also pending before the Subcommittee. Other testimony was heard on H.R. 12273 by Congressman Peter Peyser that would have phased out the existing program over a five-year period, placing peanuts on a target price system similar to that existing for commodities under the Agriculture and Consumer Protection Act of 1973.

A complete record of the hearings can be found in the publication "Peanut Act of 1976", Hearings before the Subcommittee on Oilseeds and Rice, House Committee on Agriculture, April 12 and 13, 1976, Serial No. 94–AAA.

Testimony in support of H.R. 12808 was received from Congressman Carl Albert, Speaker of the House of Representatives, and Congressmen William Dickinson, Alabama, L. H. Fountain, North Carolina, Don Fuqua, Florida, and Tom Steed, Oklahoma. Congressman Peter Peyser, New York, testified in support of his own bill, stating that H.R. 12808 did not go far enough in reducing surpluses and government costs but that he would support it if his own bill was not accepted.

The Chairman of the National Peanut Growers Group, a federation of 11 state and regional peanut grower associations from the three peanut producing areas representing 80,000 to 90,000 ueanut producers in 16 states also supported the legislation. He stated that the bill represented a compromise between growers in the three producing areas and that the group supported it as the best practical solution to the problems faced by the current programs. He noted that the average peanut allotment was only 25 acres and that termination of the program would result in severe economic hardship for the average grower

in the three producing areas. He argued that the Department's minimum sales policy was primarily responsible for the escalation in the cost of the program and emphasized the producer's interest in reducing program losses caused by increases in yields. He opposed the target price concept as not feasible for peanuts.

Also appearing in support of H.R. 12808 were representatives of the American Farm Bureau Federation, the Southeastern Peanut Shellers Association, Albany, Georgia (who suggested certain minor changes), and Southwestern Peanut Shellers Association. Representatives of peanut processors including Best Foods (Division of CPC International, Inc.), Planters Peanuts, and All America Nut Co. gave qualified support for the legislation. Many noted that the bill constituted a compromise of varying views and interests and represented an improvement in the peanut support program that should reduce government costs. They also emphasized the importance of the peanut crop to the area from which they represented.

A representative of the National Farmers Union testified in opposition to the bill, while a representative of the Peanut Butter Manufacturers and Nut Salters Association and National Confectioners Association testified in opposition to a reduction of 22.5 percent in the acreage allotment in all the producing areas, including those areas where he claimed there were no surplus peanuts produced, and a representative of Best Foods (Division of CPC International, Inc.), argued for a reduction in the support price for quota peanuts to 60 percent of parity.

Certain persons testifying from the Virginia-Carolina area premised endorsement of H.R. 12808 on a change by the Department of Agriculture in the price support differentials announced for the 1976 crop which they claimed disadvantaged their area. They supported restoration of the differentials to those in effect for 1975 by legislation or by administrative action. These included representatives of the Virginia-Carolina Peanut Association, and peanut processors from that area.

Richard E. Bell, Assistant Secretary for International Affairs and Commodity Programs, U.S. Department of Agriculture, appeared for the Administration in support of H.R. 12808. He emphasized the deficiencies in the present program, including—the high cost to the government of disposing of the surplus, the fact that peanuts are the only food commodity that has not been freed from "outdated, production-restrictive government programs" and the present inability of the peanut industry to respond to free market forces.

Although supporting H.R. 12808 as a necessary first step in changing the present program, he raised several objections to the bill. He maintained the bill did not go far enough in removing peanut production from government controls; and felt the two-price system "outdated," preferring a target price approach. He believed H.R. 12808 would not totally alleviate the surplus problem; that the support level would remain too high; that provisions mandating the disposal of surplus peanuts in the export and crushing markets at competitive market prices undermined U.S. international trade policies; and lastly, that the bill "contains far too much detail on how peanuts are to be handled in the marketing chain."

During questioning, Secretary Bell explained the dramatic increases in the cost of the program and acknowledged that the adoption of the

Department's minimum sales policy in 1974 was partially responsible. Under this policy, the CCC refuses to sell any surplus peanuts for less than the support price.

Mr. Bell stated in response to questioning that if the level of support in H.R. 12808 were reduced from 70 percent to 60 percent of parity, the cost of the program would be reduced by an additional $25 million, and farm receipts would be reduced by $70 million, but that there would be no significant reduction in the cost of peanut products at the retail level.

Committee Markup

On May 5, 1976, the Subcommittee held a business session during which it considered H.R. 12808. It rejected an amendment by a vote of 2 to 4 that would have required the Secretary to set peanut price support differentials for the 1976 and 1977 crops at the same levels as applied to the 1975 crop.

The amendment, proposed by Mr. Jones of North Carolina, was in response to a preliminary announcement by the Secretary on March 19, 1976, that price relationships under the support program between the three major types of peanuts were being changed from those in effect for 1975 and previous years. Mr. Jones contended that the March 19 announcement pricing Virginia-type peanuts higher than runners, grown primarily in the Southeast, would damage the Virginia-Carolina peanut industry.

The issue was not settled, however, with the defeat of the Jones amendment. The Secretary on July 6, 1976, withdrew his preliminary announcement and announced, instead, that the differentials for the 1976 crop would remain the same as for 1975.

A suit was filed by Southeastern area shellers and others against the Department. Shortly thereafter, a Federal judge in Columbus, Georgia, temporarily restrained the Administration from implementing the differentials announced July 6, and as a result the Secretary has refused to make any price support loans available on the 1976 crop of peanuts. At the time this report was filed, we were advised that the court had just issued an injunction against the Department.

By a vote of 2 to 4, an amendment by Mr. Findley was defeated which would have deleted the provision mandating disposal of surplus 1977-crop peanuts in the export and crushing markets at competitive market prices.

Following the adoption of a series of technical amendments by Mr. Mathis, the bill was reported to the full Committee by a voice vote in the presence of a quorum with a recommendation that it be passed.

The House Committee on Agriculture held business sessions for consideration of H.R. 12808 on August 24 and 25, 1976. Following a general consideration of the purposes of the bill, Mr. Richmond offered an amendment to reduce the support level for quota peanuts from 70 percent to 60 percent of the parity price for the commodity. Citing cost of production figures, Mr. Richmond argued that farmers would still receive an adequate return and that peanut products would be cheaper to the consumer. The amendment was defeated by a vote of 5 ayes to 20 nays. Before that, an amendment to the amendment by Mr. Harkin to base the support price on the cost of production was also defeated by a vote of 3 to 22.

After offering a technical amendment that was unanimously agreed to, Mr. Mathis proposed an amendment prohibiting the resale of peanuts under CCC loan for the domestic edible market at less than 105 percent of the support price for quota peanuts.

Mr. Mathis argued that this would tend to increase the competitiveness of the runner-type peanuts in the Southeast by increasing the price of non-quota peanuts under loan in other areas. Mathis said the amendment would allow Southeastern peanuts a chance to fairly compete in the marketplace with peanuts from other areas, but opponents maintained it would give the Southeast a special advantage. The amendment was defeated 16 to 13.

An amendment by Dr. Findley to delete the provision requiring that peanuts from the 1977 crop not needed for domestic food and related uses must be sold for crushing and export at competitive market prices was defeated by a roll call vote 13 to 20. A second version of the amendment was rejected by a vote of 7 to 15. Mr. Findley contended that the government's offering peanuts for export at less than acquisition cost was, in effect, an export subsidy which would be contrary to U.S. trade policies. He made reference to a letter received by the Committee from the Chairman of the Ways and Means Committee expressing the view that any new use of export subsidies at this time would have a serious impact on the basic U.S. trade policy and could jeopardize efforts in trade negotiations. In response, Mr. Mathis said the provision would allow the CCC to recoup some of its outlays on surplus peanuts at a considerable savings to the program. He pointed out that since 1973 when the Administration instituted its policy of refusing to sell peanuts for export at competitive world prices, program costs have skyrocketed, and that if the amendment were defeated the peanut industry could recapture some of the foreign markets lost since 1973. Mr. Mathis also noted that the provision in the bill gave the Secretary authority to dispose of the surplus peanuts in an orderly fashion, without dumping on the world market.

Subsequently, an amendment by Mr. Mathis extending the same requirement to the 1976 crop was adopted by a vote of 16 to 4.

The bill, H.R. 12808, as amended, was then ordered reported by the Committee with a recommendation that it pass by unanimous voice vote in the presence of a quorum.

Administration Position

The Department of Agriculture submitted to the Committee on April 12, 1976, a report on H.R. 12808 concluding that "H.R. 12808 represents a substantial improvement over the current program, and the Department will support passage in its present form." Technical amendments suggested in the report were agreed to in Subcommittee on May 5, 1976. During Subcommittee hearings on April 12, 1976, the Department gave its qualified endorsement of the legislation (see section on Committee Consideration in this report). The Administration later communicated opposition to the section in the bill mandating resale of surplus peanuts for the crushing and export markets at competitive market prices.

The Department also submitted a report in opposition to H.R. 12273 introduced by Congressman Peter Peyser.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., April 12, 1976.

Hon. THOMAS S. FOLEY,
Chairman, Committee on Agriculture, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for a legislative report on H.R. 12808. The bill would amend the peanut provisions of the Agricultural Adjustment Act of 1938, as amended, and the Agricultural Act of 1949, as amended.

The Department at this time believes that any peanut legislation should include the following features:

1. Expire with the 1977 crop. This will bring the peanut program under review by the Congress together with other price-supported commodities, for which legislation will expire with the 1977 crop.
2. Expand opportunity for producers to make farm management decisions in response to market demand.
3. Reduce government outlays.

H.R. 12808 does not completely free growers to produce for the market and to get their profit from the marketplace, but makes progress in that direction. It would lower both the minimum acreage allotment and support level, provide a form of open-end production, be effective only for the 1977 crop, and reduce program costs. H.R. 12808 represents a substantial improvement over the current program, and the Department will support passage in its present form.

Reversion to the present program for the 1978 crop would occur if no new legislation were enacted. Specifically, the proposed peanut bill would:

1. Provide for a national acreage allotment of 1,247,000 acres for the 1977 crop. This is a 23 percent reduction compared to the current minimum national acreage allotment of 1,610,000 acres;
2. Remove penalties for planting in excess of the allotment;
3. Provide for price support through loans, purchases or other operations at a net level of not less than 70 percent of the April 1, 1977, parity. Only peanuts grown on a farm with an allotment and marketed within the farm marketing quota will be eligible for such support;
4. Make price support available through loans, purchases or other operations on peanuts marketed from a farm in excess of quota marketings at the lesser of 60 percent of the loan and purchase level for quota peanuts or 90 percent of the estimated crushing and export value;
5. And allow farmers to produce in excess of their allotments or without allotments. Such peanuts must either be contracted for crushing and/or export or placed under CCC loan.

P.L. 94–247 regarding disaster transfers of peanut allotments was signed into law on March 26. It amended section 358 of the Agricultural Adjustment Act of 1938, as amended, by adding a new subsection (j). As introduced, H.R. 12808 also adds a new subsection (j) as well as a (k), (l), (m) and (n) to section 358. H.R. 12808 should be corrected to redesignate these proposed new subsections as (k), (l), (m), (n) and (o), respectively.

An analysis of government outlays is enclosed. Outlays for the 1977 crop of peanuts are projected at $187 million under the current program continued, $89 million higher than if H.R. 12808 is enacted. For the five year period 1977–81, outlays under current program provisions are projected to total $1,155 million, compared to a total of $522 million under H.R. 12808.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

JOHN A. KNEBEL,
Under Secretary.

Enclosure.

PEANUTS: PROJECTED CCC NET OUTLAYS

	Continuation of present program	H.R. 12808 [1]
Crop of—		
1977	187	98
1978	204	100
1979	227	103
1980	255	109
1981	282	112
Total, 1977–81	1,155	522

[1] Includes cost of measuring all acreage planted to peanuts.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., April 13, 1976.

Hon. THOMAS S. FOLEY,
Chairman, Committee on Agriculture,
House of Representatives.

DEAR MR. CHAIRMAN: This is in response to your request of March 31 for a legislative report on H.R. 12273. The bill would amend the peanut provisions of the Agricultural Adjustment Act of 1938, as amended, and the Agricultural Act of 1949, as amended.

The Department at this time favors peanut legislation which meets the following criteria:

1. Expires with the 1977 crop. This will bring the peanut program under review by Congress together with other price-supported commodities for which legislation will expire with the 1977 crop.
2. Expands opportunities for producers to make farm management decisions in response to market demand.
3. Reduces Government outlays.

H.R. 12273 does not meet all of the above criteria. Therefore, the Department opposes adoption of H.R. 12273.

H.R. 12273 would provide for a target price program for peanuts, with a phase-out of the entire program by 1980. Specifically, the proposed bill would provide for:

1. A reduction in the national acreage allotment for the 1976 and 1977 crops to 1,000,000 acres with subsequent reductions to 660,000 acres for the 1978 crop, 330,000 acres for the 1979 crop and no allotment for the 1980 crop.

2. A loan level at not less than $240 per ton.

3. A target price at $300 per ton for the 1976 crop, adjusted in 1977 and subsequent years by the index of prices paid by farmers or production items, interest, taxes, and wage rates with a further adjustment for changes in productivity.

4. Deficiency payments to cooperators for each of the 1976 through 1979 crops equal to the amount by which the established price exceeds the higher of the average market price received by farmers during the first 5 months of the marketing year or the loan level.

5. Deficiency payments made on the basis of the quantity of peanuts determined by multiplying the farm allotment by the payment yield established for the farm.

6. A payment yield for each farm for any year, such yield to be determined on the basis of the actual yield for each harvested acre for the three preceding years, adjusted for abnormal weather.

7. Set-aside of cropland, if the Secretary determines this to be appropriate.

An analysis of government outlays for a 5-year period covering the current peanut program and for H.R. 12273 is enclosed. Outlays are projected to total $1,028 million under the current program, and total $182 million under H.R. 12273.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

JOHN A. KNEBEL,
Under Secretary.

Enclosure.

PEANUTS: PROJECTED CCC NET OUTLAYS

[In millions of dollars]

	Continuation of present program	H.R. 12273
Crop of—		
1976	155	59
1977	187	61
1978	204	33
1979	227	29
1980	255	9
Total, 1976–80	1,028	182

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 4, 1976.

Hon. DAWSON MATHIS,
Chairman, Subcommittee on Oilseeds and Rice, Committee on Agriculture, House of Representatives.

DEAR MR. CHAIRMAN: This is further to my statement on peanut legislation before your Subcommittee on April 12, 1976.

The Department proposes that paragraph (4) of subsection (c) of section 108 of H.R. 12808 be deleted—page 10, lines 17 through 21.

Section 407 of the Agricultural Act of 1949, as currently enacted, provides adequate flexibility for the Secretary to determine a surplus

disposal policy for the 1977 peanut crop in line with the intent of H.R. 12808 and at the same time help maintain our current position in international trade policy.

If you believe a meeting on this issue would be helpful, I shall be pleased to come and see you.

Sincerely,

RICHARD E. BELL,
Assistant Secretary.

DEPUTY SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS,
Washington, April 26, 1976.

Hon. DAWSON MATHIS,
Chairman, Subcommittee on Oilseeds and Rice, House Agriculture Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I am writing to you to express the concern of this Office with respect to the implications of certain provisions of H.R. 12808, "the Peanut Act of 1976" for our international trade policy. My specific concern is with Section 108(c)(4) which, in essence, provides for the subsidization of surplus peanuts into export markets.

Any use of what will be perceived as an export subsidy under Section 108(c)(4) would be contrary to basic U.S. trade policy objectives, and would adversely affect our efforts in the Multilateral Trade Negotiations (now underway in Geneva) to reach agreement on an export subsidy code. The U.S. is the major proponent of such a code—reflecting the viewpoint of our private sector advisory committees, which were established under the Trade Act of 1974.

Section 108(c)(4), as now written, would also make it extremely difficult for us to take action under Section 301 of the Trade Act of 1974 against foreign subsidy practices that impede export sales of U.S. agricultural products. Section 301 complaints against European Community subsidies on wheat flour and barley malt have already been filed, and are presently being processed by this Office. But how can we take actions against such practices if we are engaged in similar practices of our own?

Mr. Chairman, I believe that H.R. 12808 in general represents an important step toward placing the U.S. peanut program on more of a market oriented basis. As you know, we have worked on peanut legislation for a long time, and I much appreciate the personal leadership that you have provided on this difficult issue. I would strongly urge, however, that Section 108(c)(4) be amended to preclude the possibility of "subsidization" of U.S. peanuts and peanut products into export markets. If this is not done, other sectors of U.S. agriculture will certainly be damaged, and our trade negotiating efforts in Geneva will be seriously hampered.

If you wish, I would be pleased to discuss this issue with you, or with the Subcommittee, at any time.

Sincerely,

CLAYTON K. YEUTTER.

CURRENT AND 5 SUBSEQUENT FISCAL YEAR COST ESTIMATE

Pursuant to clause 7 of rule XIII of the Rules of the House of Representatives, the Committee submits the following cost estimate of

H.R. 12808. The Committee concurs with the following estimates by the Congressional Budget Office on the cost of the peanut program for the 1977 crop under H.R. 12808.

COSTS

[Millions of dollars]

	Fiscal year—					
	1977	1978	1979	1980	1981	Total
Existing program	111	15				126
H.R. 12808	57	5				62
Cost savings	−54	−10				−64

The CBO's report on H.R. 12808, containing a detailed explanation of the cost estimates, is included in the section on Budget Act Compliance. The Department of Agriculture's cost projections on H.R. 12808 are included in the section on Administration Position.

In the case of peanuts, the CCC makes loans on a crop over the marketing year (August 1–July 31), with most loan-making activity occurring during the harvest season in the fall. The loans, or outlays, overlap the fiscal year (October 1–September 30), and such outlays may be recouped, in whole or in part, over a period of time as peanuts under loan with CCC are disposed of.

The estimates were based on the assumption that outlays would be evenly divided between fiscal year 1977 and fiscal year 1978 and that all of the stocks would be sold in fiscal year 1978.

Additional savings would result from the requirement applicable to the 1976 crop that any peanuts of such crop not needed for domestic edible use must be sold for crushing and export. At the time of filing the report, CBO estimates of cost savings resulting from this amendment had not been received. The Committee estimates that the savings would be at least $55 million as compared with costs under current Administration policy and that the savings would occur in fiscal year 1977 on the assumption the crop would be disposed of in this period. This is predicated on projections that losses on the 1976 crop would be in the neighborhood of $255 million under current policy and no more than $200 million under H.R. 12808.

Budget Act Compliance

The estimates and comparisons prepared by the Director of the Congressional Budget Office under clauses 2(1)(3)(B) and 2(1)(3)(C) of Rule XI of the Rules of the House of Representatives and sections 308(a) and 403 of the Congressional Budget Act of 1974 submitted to the Committee prior to the filing of this report are set forth below.

These estimates were developed with respect to provisions of H.R. 12808 relating to the 1977 crop of peanuts. Cost savings resulting from requirements of H.R. 12808 that surplus stocks of 1976 crop peanuts be sold at competitive world prices had been requested from the Congressional Budget Office but had not yet been received at the time of filing this report.

CONGRESS OF THE UNITED STATES,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., June 1, 1976.

Hon. THOMAS S. FOLEY,
Chairman, Committee on Agriculture, U.S. House of Representatives, Longworth House Office Bldg., Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 12808, Peanut Act of 1976.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ALICE M. RIVLIN, *Director.*

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

1. Bill Number: H.R. 12808
2. Bill Title: Peanut Act of 1976
3. Purpose of Bill:

H.R. 12808 would reduce surplus production and program costs by lowering the minimum acreage allotment and the level of price support. The legislation would apply only to the 1977 crop year, which falls between August 1, 1977 and July 31, 1978.

More specifically, the bill would reduce the minimum acreage allotment from 1.6 million acres to 1.247 million. Farmers could overplant their allotted acreage in contrast to current legislation which restricts planting to allotments. A marketing quota would be established for each farm based on "farm yield", i.e., 96 percent of the average yield for the highest three of the last five years. The bill would permit production above quota, but only for crushing or for export. "Quota peanuts" would be supported at not less than 70 percent of the April parity price. The current law requires support at not less than 75 percent of August parity. Peanuts used for domestic edible purposes would continue to be sold for not less than the support price. The price on non-quota peanuts would be supported at either 42 percent of April 1977 parity or 90 percent of the expected values for crushing and export, whichever is lower. Any surplus peanuts received under loan would be sold at competitive prices. This measure would disallow the current practice of selling peanuts under loan at not less than its support price, a policy which has contributed to the growing stockpiles.

4. Cost Estimate:

Losses are incurred by the CCC because the support price is higher than the price at which government stocks are sold. If H.R. 12808 were enacted, these losses would be reduced. Estimates of the cost-savings are shown in the table below.

COSTS

[Millions of dollars]

	Fiscal year—					
	1977	1978	1979	1980	1981	Total
Existing program	111	15				126
H.R. 12808	57	5				62
Cost savings	−54	−10				−64

Cost of existing and proposed programs, crop year 1977

Existing program:	
Production (million lbs.)	3,962
Domestic consumption and exports (million lbs.)	2,940
CCC takeover (million lbs.)	1,022
Loan rate and handling (cents per lb.)	21.6
Sales price (cents per lb.)	9.3
CCC loss (cents per lb.)	12.3
CCC loans (millions of dollars)	221
CCC sales (millions of dollars)	95
Total CCC loss, millions of dollars)	126
H.R. 12808:	
Total production (million lbs.)	3,217
Quota production (million lbs.)	3,055
Consumption of quota (million lbs.)	2,500
CCC takeover of quota (million lbs.)	555
Nonquota production (million lbs.)	162
Support price, nonquota (cents per lb.)	8.4
Support price and handling, quota (cents per lb.)	20.5
Market price, nonquota (cents per lb.)	9.3
CCC loss on quota (cents per lb.)	11.2
CCC loans (millions of dollars)	114
CCC sales (millions of dollars)	52
Total CCC loss, (millions of dollars)	62

The CCC losses are the costs incurred after all of the acquired stocks have been sold. Because loans and sales take place at different times, the losses do not represent the net outlays in any one fiscal year. Budget outlays are the difference between the loans and sales made in each fiscal year. The outlays shown in the first table are based on the assumption that the CCC takeover and associated loans would be evenly divided between FY 1977 and FY 1978 and that all of the stocks would be sold in FY 1978.

6. Estimate comparison:

The Department of Agriculture estimated a saving of approximately $58 million in FY 1977 for H.R. 12808. This estimate of May 6, 1976 revised an earlier estimate due to a change in world prices.

7. Previous CBO Estimate:

An unofficial estimate of May 6, 1976 indicated that cost savings could range from $46 to $83 million.

8. Estimate Prepared by: Robert M. Gordon (225–5275).

9. Estimate Approved by:

JAMES L. BLUM,
Assistant Director for Budget Analysis.

OVERSIGHT STATEMENT

No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of Rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by H.R. 12808.

No specific oversight activities, other than the hearings accompanying the Committee's consideration of H.R. 12808, were conducted by the Committee within the definition of clause 2(b)(1) of Rule X of the Rules of the House of Representatives.

Inflationary Impact Statement

Pursuant to clause 2(l)(4), Rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of H.R. 12808, as amended, will have no inflationary impact on prices and costs in the operation of the national economy. The cut in support level from 75 to 70 percent of parity should assist in stabilizing prices of peanuts for the domestic edible market; and removing controls on the production of peanuts for crushing could reduce prices for peanut oil and meal on the domestic market.

Changes in Existing Law

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

* * * * * * *

AGRICULTURAL ADJUSTMENT ACT OF 1938

* * * * * * *

[Note—Sections 358, 358a, 359, and 373 below are amended effective for the 1977 crop of peanuts, except that the matter followed by a single asterisk is amended for the 1978 and subsequent crops, and the matter followed by a double asterisk is amended for the 1977 and subsequent crops.]

MARKETING QUOTAS

Sec. 358. [(a) Between July 1 and December 1 of each calendar year the Secretary shall proclaim the amount of the national marketing quota for peanuts for the crop produced in the next succeeding calendar year in terms of the total quantity of peanuts which will make available for marketing a supply of peanuts from the crop with respect to which the quota is proclaimed equal to the average quantity of peanuts harvested for nuts during the five years immediately preceding the year in which such quota is proclaimed, adjusted for current trends and prospective demand conditions, and the quota so proclaimed shall be in effect with respect to such crop. The national marketing quota for peanuts for any year shall be converted to a national acreage allotment by dividing such quota by the normal yield per acre of peanuts for the United States determined by the Secretary on the basis of the average yield per acre of peanuts in the five years preceding the year in which the quota is proclaimed, with such adjustments as may be found necessary to correct for trends in yields and for abnormal conditions of production affecting yields in such five years. *Provided*, That the national marketing quota established for the crop produced in the calendar year 1941 shall be a quantity of peanuts sufficient to provide a national acreage allotment of not less than one million six hundred and ten thousand acres, and that the national marketing quota established for any subsequent year shall be quantity of peanuts sufficient to provide a national acreage allotment of not less than that established for the crop produced in the calendar year 1941.]

[(b) Not later than December 15 of each calendar year the Secretary shall conduct a referendum of farmers engaged in the production of peanuts *on farms for which an acreage allotment is established* * in the calendar year in which the referendum is held to determine whether such farmers are in favor of or opposed to marketing quotas with respect to the crops of peanuts produced in the three calendar years immediately following the year in which the referendum is held, except that, if as many as two-thirds of the farmers voting in any referendum vote in favor of marketing quotas, no referendum shall be held with respect to quotas for the second and third years of the period. The Secretary shall proclaim the results of the referendum within thirty days after the date on which it is held, and, if more than one-third of the farmers voting in the referendum vote against marketing quotas, the Secretary also shall proclaim that marketing quotas will not be in effect with respect to the crop of peanuts produced in the calendar year immediately following the calendar year in which the referendum is held.]

(c)(1) The national acreage allotment for 1951, less than acreage to be allotted to new farms under subsection (f) of this section, shall be apportioned among the States on the basis of the larger of the following for each State: (a) The acreage allotted to the State as its share of the 1950 national acreage allotment of two million one hundred thousand acres, or (b) the State's share of two million one hundred thousand acres apportioned to States on the basis of the average acreage harvested for nuts in each State in the five years 1945–49: *Provided*, That any allotment so determined for any State which is less than the 1951 State allotment announced by the Secretary prior to the enactment of this Act shall be increased to such announced allotment and the acreage required for such increases shall be in addition to the 1951 national acreage allotment and shall be considered in determining State acreage allotments in future years. For any year subsequent to 1951, the national acreage allotment for that year, shall be apportioned among the States on the basis of their share of the national acreage allotment for the most recent year in which such apportionment was made.

[(2) Notwithstanding any other provision of law, if the Secretary of Agriculture determines, on the basis of the average yield per acre of peanuts by types during the preceding five years, adjusted for trends in yields and abnormal conditions of production affecting yields in such five years, that the supply of any type or types of peanuts for any marketing year, beginning with the 1951–52 marketing year, will be insufficient to meet the estimated demand for cleaning and shelling purposes at prices at which the Commodity Credit Corporation may sell for such purposes peanuts owned or controlled by it, the State allotments for those States producing such type or types of peanuts shall be increased to the extent determined by the Secretary to be required to meet such demand but the allotment for any State may not be increased under this provision above the 1947 harvested acreage of peanuts for such State. The total increase so determined shall be apportioned among such States for distribution among farms producing pea-

*Effective for the 1978 and subsequent crops of peanuts.

nuts of such type or types on the basis of the average acreage of peanuts of such type or types in the three years immediately preceding the year for which the allotments are being determined. The additional acreage so required shall be in addition to the national acreage allotment, the production from such acreage shall be in addition to the national marketing quota, and the increase in acreage allotted under this provision shall not be considered in establishing future State, county, or farm acreage allotments.]

(d) The Secretary shall provide for the apportionment of the State acreage allotment for any State, less the acreage to be allotted to new farms under subsection (f) of this section, through local committees among farms on which peanuts were grown in any of the three years immediately preceding the year for which such allotment is determined. The State acreage allotment for 1952 and any subsequent year shall be apportioned among farms on which peanuts were produced in any one of the 3 calendar years immediately preceding the year for which such apportionment is made, on the basis of the following: Past acreage of peanuts, taking into consideration the acreage allotments previously established for the farm; abnormal conditions affecting acreage; land, labor, and equipment available for the production of peanuts; crop-rotation practices; and soil and other physical factors affecting the production of peanuts. Any acreage of peanuts harvested in excess of the allotted acreage for any farm for any year shall not be considered in the establishment of the allotment for the farm in succeeding years. [The amount of the marketing quota for each farm shall be the actual production of the farm-acreage allotment,] and no peanuts shall be marketed under the quota for any farm other than peanuts actually produced on the farm.

[(e) Notwithstanding the foregoing provisions of this section, the Secretary may, if the State committee recommends such action and the Secretary determines that such action will facilitate the effective administration of the provisions of the Act, provide for the apportionment of the State acreage allotment for 1952 and any subsequent year among the counties in the State on the basis of the past acreage of peanuts harvested for nuts (excluding acreage in excess of farm allotments) in the county during the five years immediately preceding the year in which such apportionment is made, with such adjustments as are deemed necessary for abnormal conditions affecting acreage, for trends in acreage, and for additional allotments for types of peanuts in short supply under the provisions of subsection (c). The county acreage allotment shall be apportioned among farms on the basis of the factors set forth in subsection (d) of this section.]

[(f) Not more than 1 per centum of the State acreage allotment shall be apportioned among farms in the State on which peanuts are to be produced during the calendar year for which the allotment is made but on which peanuts were not produced during any one of the past three years, on the basis of the following: Past peanut-producing experience by the producers; land, labor, and equipment available for the production of peanuts; crop-rotation practices; and soil and other physical factors affecting the production of peanuts.]

(g) Any part of the acreage allotted to individual farms under the provisions of this section on which peanuts will not be produced and which is voluntarily surrendered to the county committee shall be

deducted from the allotments to such farms and may be reapportioned by the county committee to other farms in the same county receiving allotments, in amounts determined by the county committee to be fair and reasonable on the basis of land, labor, and equipment available for the production of peanuts, crop-rotation practices, and soil and other physical factors affecting the production of peanuts. Any transfer of allotments under this provision shall not operate to reduce the allotment for any subsequent year for the farm from which acerage is transferred, except as the farm becomes ineligible for an allotment by failure to produce peanuts during a three-year period, and any such transfer shall not operate to increase the allotment for any subsequent year for the farm to which the acreage is transferred: *Provided*, That, notwithstanding any other provisions of this Act, any part of any farm acreage allotment may be permanently released in writing to the county committee by the owner and operator of the farm, and reapportioned as provided herein.

(h)

(i) The production of peanuts on a farm in 1959 or any subsequent year for which no farm acreage allotment was established shall not make the farm eligible for an allotment as an old farm under subsection (d) of this section: *Provided, however*, That by reason of such production the farm need not be considered as ineligible for a new farm allotment under subsection (f) of this section, but such production shall not be deemed past experience in the production of peanuts for any producer on the farm.

(j) Notwithstanding any other provision of this Act, if the Secretary determines for 1976 or a subsequent year that because of a natural disaster a portion of the farm peanut acreage allotments in a county cannot be timely planted or replanted in such year, he may authorize for such year the transfer of all or a part of the peanut acreage allotments for any farm in the county so affected to another farm in the county or in an adjoining county in the same or an adjoining State on which one or more of the producers on the farm from which the transfer is to be made will be engaged in the production of peanuts and will share in the proceeds thereof, in accordance with such regulations as the Secretary may prescribe. Any farm allotment transferred under this subsection shall be deemed to be released acreage for the purpose of acreage history credits under subsection (g) of this section and section 377 of this Act: *Provided*, That notwithstanding the provisions of subsection (g) of this section, the transfer of any farm allotment under this subsection shall operate to make the farm from which the allotment was transferred eligible for an allotment as having peanuts planted thereon during the three-year base period.

(k) The Secretary shall, not later than December 1, 1976, announce a national acreage allotment for peanuts for the 1977 crop of not less than one million two hundred and forty-seven thousand acres.

(l) For each farm for which a farm acreage allotment has been established, a farm yield for peanuts shall be determined equal to 96 per centum of the average of the actual yield per acre on the farm for each of the three years in which yields were highest on the farm out of the five calendar years immediately preceding the year for which such farm yield is determined: Provided, That if peanuts were not

produced on the farm in at least three years during such five-year period or there was a substantial change in the operation of the farm, the Secretary shall have a yield appraised for the farm. The appraised yield shall be 90 per centum of that amount determined to be fair and reasonable on the basis of yields established for similar farms which are located in the area of the farm and on which peanuts were produced taking into consideration land, labor, and equipment available for the production of peanuts, crop rotation practices, soil and water, and other relevant factors.

(m) For each farm, a farm marketing quota shall be established equal to the quantity determined by multiplying the farm peanut acreage allotment by the farm yield.

(n) For the purposes of this title—

(1) "quota peanuts" mean, or any marketing year, any peanuts which are eligible for domestic food and related uses as determined by the Secretary, which are marketed or considered marketed from a farm, and which do not exceed the farm marketing quota of such farm for such year;

(2) "nonquota peanuts" mean, for any marketing year, any peanuts which are marketed from a farm and which are in excess of the marketings of quota peanuts of such farm for such year; and

(3) "crushing" means the processing of peanuts to extract oil for food uses and meal for feed uses, or the processing of peanuts by crushing or otherwise when authorized by the Secretary for the production of new peanut products which the Secretary determines will not compete with or displace existing or new peanut products which are or will be produced commercially for food and related uses from quota peanuts.

(o) The peanut acreage allotment for the State of New Mexico shall not be reduced below the 1975 acreage allotment as increased pursuant to section 358(c)(2) of the Agricultural Adjustment Act of 1938.

SALE, LEASE, AND TRANSFER OF PEANUT ACREAGE ALLOTMENTS

SEC. 358a (a) Notwithstanding any other provision of law for the 1968 and succeeding [107] crop years, the Secretary[, if he determines that it will not impair the effective operation of the peanut marketing quota or price-support program,] ** (1)[may] *shall* ** permit the owner and operator of any farm for which a peanut acreage allotment is established under this Act to sell or lease all or any part or the right to all or any part of such allotment to any other owner or operator of a farm in the same county for transfer to such farm; and (2) [may] *shall* ** permit the owner of a farm to transfer all or any part of such allotment to any other farm owned or controlled by him.

(b) Transfers under this section shall be subject to the following conditions: (1) no allotment shall be transferred to a farm in another county; (2) no transfer of an allotment from a farm subject to a mortgage or other lien shall be permitted unless the transfer is agreed to by the lienholders; (3) no sale of a farm allotment from a farm shall be permitted if any sale of allotment to the same farm has been made within the three immediately preceding crop years; (4) no transfer

** Effective for the 1977 and subsequent crops of peanuts.

of allotment shall be effective until a record thereof is filed with the county committee of the county in which such transfer is made and such committee determines that the transfer complies with the provisions of this section; and (5) if the normal yield established by the county committee for the farm to which the allotment is transferred does not exceed the normal yield established by the county committee for the farm from which the allotment is transferred by more than 10 per centum, the lease or sale and transfer shall be approved acre for acre, but if the normal yield for the farm to which the allotment is transferred exceeds the normal yield for the farm from which the allotment is transferred by more than 10 per centum, the county committee shall make a downward adjustment in the amount of the acreage allotment transferred by multiplying the normal yield established for the farm from which the allotment is transferred by the acreage being transferred and dividing the result by the normal yield established for the farm to which the allotment is transferred: *Provided*, That in the event an allotment is transferred to a farm which at the time of such transfer is not irrigated, but within five years subsequent to such transfer is placed under irrigation, the Secretary shall also make an annual downward adjustment in the allotment so transferred by multiplying the normal yield established for the farm from which the allotment is transferred by the acreage being transferred and dividing the result by the actual yield for the previous year, adjusted for abnormal weather conditions, on the farm to which the allotment is transferred: *Provided further*, That, notwithstanding any other provision of this Act, the adjustment made in any peanut allotment because of the transfer to a higher producing farm shall not reduce or increase the size of any future National or State allotment and an acreage equal to the total of all such adjustment shall not be allotted to any other farms.

(c) The transfer of an allotment shall have the effect of transferring also the acreage history and marketing quota attributable to such allotment and if the transfer is made prior to the determination of the allotment for any year the transfer shall include the right of the owner or operator to have an allotment determined for the farm for such year: *Provided*, That in the case of a transfer by lease the amount of the allotment shall be considered, for the purpose of determining allotments after the expiration of the lease, to have been planted on the farm from which such allotment is transferred.

(d) The land in the farm from which the entire peanut allotment has been transferred shall not be eligible for a new farm peanut allotment during the five years following the year in which such transfer is made.

(e) Any lease may be made for such term of years not to exceed five as the parties thereto agree, and on such other terms and conditions except as otherwise provided in this section as the parties thereto agree.

(f) The lease of any part of a peanut acreage allotment determined for a farm shall not affect the allotment for the farm from which such allotment is transferred or the farm to which it is transferred, except with respect to the crop year or years specified in the lease. The amount of the acreage allotment which is leased from a farm shall be considered for purposes of determining future allotments to have been planted to peanuts on the farm from which such allotment is

leased and the production pursuant to the lease shall not be taken into account in establishing allotments for subsequent years for the farm to which such allotment is leased. The lessor shall be considered to have been engaged in the production of peanuts for purposes of eligibility to vote in the referendum.

(g) The Secretary shall prescribe regulations for the administration of this section which may include reasonable limitation on the size of the resulting allotments on farms to which transfers are made and such other terms and conditions as he deems necessary, but the total peanut allotment transferred to any farm by sale or lease shall not exceed fifty acres.

(h) If the sale or transfer occurs during a period in which the farm is covered by a conservation reserve contract, cropland conversion agreement, or other similar land utilization agreement the rates of payment provided for in the contract or agreement of the farm from which the transfer is made shall be subject to an appropriate adjustment, but no adjustment shall be made in the contract or agreement of the farm to which the transfer is made.

(i) Notwithstanding any other provision of this section, transfers shall be on a pound-for-pound basis, and the acreage allotment for the receiving farm shall be increased by an amount determined by dividing the number of pounds transferred by the farm yield for the receiving farm, and the acreage allotment for the transferring farm shall be reduced by an amount determined by dividing the number of pounds transferred by the farm yield for the transferring farm.

MARKETING PENALTIES

SEC. 359. (a) [The marketing of any peanuts in excess of the marketing quota for the farm on which such peanuts are produced, or the marketing of peanuts from any farm for which no acreage allotment was determined, shall be subject to a penalty at a rate equal to 75 per centum of the support price for peanuts for the marketing year (August 1–July 31).] *The marketing of any nonquota peanuts from a farm shall be subject to a penalty at a rate equal to the support price for quota peanuts for the marketing year (August 1 to July 31), unless the peanuts (in accordance with regulations established by the Secretary) (A) are placed under loan with area marketing associations designated pursuant to section 108(c) of the Agricultural Act of 1949 or (B) are produced and marketed under contracts between handlers and producers pursuant to the provisions of subsection (j) of this section.* Such penalty shall be paid by the person who buys or otherwise acquires the peanuts from the producer, or if the peanuts are marketed by the producer through an agent, the penalty shall be paid by such agents, and such person or agent may deduct an amount equivalent to the penalty from the price paid to the producer. The Secretary may require collection of the penalty upon a portion of each lot of peanuts marketed from the farm equal to the proportion which the acreage of peanuts in excess of the farm-acreage allotment is of the total acreage of peanuts on the farm. If the person required to collect the penalty fails to collect such penalty, such person and all persons entitled to share in the peanuts marketed from the farm or the proceeds thereof shall be jointly and severally liable for the amount of the penalty. All funds collected pursuant to this section shall be de-

posited in a special deposit account with the Treasurer of the United States and such amounts as are determined, in accordance with regulations prescribed by the Secretary, to be penalties incurred shall be transferred to the general fund of the Treasury of the United States. Amounts collected in excess of determined penalties shall be paid to such producers as the Secretary determines in accordance with regulations prescribed by him, bore the burden of the payment of the amount collected. Such special account shall be administered by the Secretary and the basis for, the amount of, and the producer entitled to receive a payment from such account, when determined in accordance with regulations prescribed by the Secretary, shall be final and conclusive. Peanuts produced in a calendar year in which marketing quotas are in effect for the marketing year beginning therein shall be subject to such quotas even though the peanuts are marketed prior to the date on which such marketing year begins. If any producer falsely identifies or fails to account for the disposition of any peanuts, an amount of peanuts equal to the normal yield of the number of acres harvested in excess of the farm acreage allotment shall be deemed to have been marketed in excess of the marketing quota for the farm, and the penalty in respect thereof shall be paid and remitted by the producer. If any amount of peanuts produced on one farm is falsely identified by a representation that such peanuts were produced on another farm, the acreage allotments next established for both such farms shall be reduced by that percentage which such amount was of the respective farm marketing quotas, except that such reduction for any such farm shall not be made if the Secretary through the local committees finds that no person connected with such farm caused, aided, or acquiesced in such marketing; and if proof of the disposition of any amount of peanuts is not furnished as required by the Secretary, the acreage allotment next established for the farm on which such peanuts are produced shall be reduced by a percentage similarly computed. Notwithstanding any other provisions of this title, no refund of any penalty shall be made because of peanuts kept on the farm for seed or for home consumption.

[(b) The provisions of this part shall not apply, beginning with the 1959 crop, to peanuts produced on any farm on which the acreage harvested for nuts is one acre or less provided the producers who share in the peanuts produced on such farm do not share in the peanuts produced on any other farm. If the producers who share in the peanuts produced on a farm on which the acreage harvested for nuts is one acre or less also share in the peanuts produced on other farm(s) the peanuts produced on such farm on acreage in excess of the allotment, if any, determined for the farm shall be considered as excess acreage and the marketing penalties provided by section 359(a) shall apply.]

(c) The word "peanuts" for the purposes of this Act shall mean all peanuts produced, excluding any peanuts which it is established by the producer or otherwise, in accordance with regulations of the Secretary, were not picked or threshed either before or after marketing from the farm, or were marketed by the producer before drying or removal of moisture from such peanuts either by natural or artificial means for consumption exclusively as boiled peanuts.

(d) The person liable for payment or collection of the penalty provided by this section shall be liable also for interest thereon at the rate

of 6 per centum per annum from the date the penalty becomes due until the date of payment of such penalty.

(e) Until the amount of the penalty provided by this section is paid, a lien on the crop of peanuts with respect to which such penalty is incurred, and on any subsequent crop of peanuts subjects to marketing quotas in which the person liable for payment of the penalty has an interest shall be in effect in favor of the United States.

(f)

(g) Only quota peanuts may be retained for use as seed on a farm and when so retained shall be considered as marketings of quota peanuts. Nonquota peanuts shall not be retained for use as seed on a farm and shall not be marketed for seed use in the United States. Seed for planting of any peanut acreage in the United States shall be obtained solely from quota peanuts marketed or considered marketed for domestic food and related uses.

(h) Upon a finding by the Secretary that the peanuts marketed from any crop for domestic food and related uses by any handler are larger in quantity or higher in grade or quality than the peanuts that could reasonably be produced from the quantity of peanuts having the grade, kernel content, and quality of the peanuts acquired by such handler from such crop for such marketing, such handler shall be subject to a penalty equal to the loan level for quota peanuts on the peanuts which the Secretary determines are in excess of the quantity, grade or quality of the peanuts that could reasonably have been produced from such crop.

(i) The Secretary shall require that all acreage planted to peanuts in the United States be measured and that the handling and disposal of nonquota peanuts be supervised by area marketing associations designated pursuant to section 108(c) of the Agricultural Act of 1949. Quota and nonquota peanuts of like type and segregation or quality may, under regulations prescribed by the Secretary, be commingled and exchanged on a dollar value basis to facilitate warehousing, handling, and marketing.

(j) Handlers may, under regulations prescribed by the Secretary, contract with producers for the production of nonquota peanuts for crushing, export, or both. All such contracts shall be completed and submitted to the area association for approval prior to June 15 of the year in which the crop is produced. The quantity and the price shall be agreed upon by the handler and the producer, and such peanuts shall not be included within any pool under the provisions of section 108(c) of the Agricultural Act of 1949.

* * * * * * *

REPORTS AND RECORDS

SEC. 373. (a) This subsection shall apply to warehousemen, processors, and common carriers of corn, wheat, cotton, rice, peanuts, or tobacco, and all ginners of cotton, all persons engaged in the business of purchasing corn, wheat, cotton, rice, peanuts, or tobacco from producers, all persons engaged in the business of redrying, prizing, or stemming tobacco for producers, *all farmers engaged in the produc-*

tion of peanuts, all brokers and dealers in peanuts, agents marketing peanuts for producers, or acquiring peanuts for buyers and dealers, and all peanut growers' cooperative associations, all persons engaged in the business of cleaning, shelling, crushing, and salting of peanuts and the manufacture of peanut products, and all persons owning or operating peanut-picking or peanut-threshing machines. Any such person shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this title. Such information shall be reported and such records shall be kept in accordance with forms which the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memoranda as he has reason to believe are relevant and are within the control of such person. Any such person failing to make any report or keep any record as required by this subsection or making any false report or record shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than $500; and any tobacco warehouseman or dealer who fails to remedy such violation by making a complete and accurate report or keeping a complete and accurate record as required by this subsection within fifteen days after notice to him of such violation shall be subject to an additional fine of $100 for each ten thousand pounds of tobacco, or fraction thereof, bought or sold by him after the date of such violation: *Provided*, That such fine shall not exceed $5,000; and notice of such violation shall be served upon the tobacco warehouseman or dealer by mailing the same to him by registered mail or by certified mail or by posting the same at any established place of business operated by him, or both.

(b) Farmers engaged in the production of corn, wheat, cotton, rice, peanuts, or tobacco for market shall furnish such proof of their acreage, yield, storage, and marketing of the commodity in the form of records, marketing cards, reports, storage under seal, or otherwise as the Secretary may prescribe as necessary for the administration of this title.

(c) All data reported to or acquired by the Secretary pursuant to this section shall be kept confidential by all officers and employees of the Department, and only such data so reported or acquired as the Secretary deems relevant shall be disclosed by them, and then only in a suit or administrative hearing under this title.

* * * * * * *

AGRICULTURAL ACT OF 1949

TITLE I—BASIC AGRICULTURAL COMMODITIES

* * *

PEANUT PROGRAM

SEC. 108. Notwithstanding any other provision of law—

(a) The Secretary shall make price support available to producers through loans, purchases, or other operations on quota peanuts for the

1977 crop at a net level of not less than 70 per centum of the parity price as of April 1, 1977. The price-support level shall be announced not later than April 15 of the year in which the crop is produced.

(b) The Secretary shall make price support available to producers through loans, purchases, or other operations on nonquota peanuts at not more than 60 per centum of the loan and purchase level for quota peanuts or 90 per centum of the estimated value of peanuts for crushing, export, or both for the marketing year of the crop is estimated by the Commodity Credit Corporation, whichever is the lower. The price support level shall be announced not later than April 15 of the year in which the crop is produced.

(c) (1) In carrying out subsections (a) and (b) of this section, the Commodity Credit Corporation shall make warehouse storage loans available in each of the three producing areas (described in 7 CFR part 1446, section 1446.4 of the General Regulations Governing 1974 and Subsequent Crop Peanut Warehouse Storage Loans published by the Commodity Credit Corporation) to a designated area marketing association of peanut producers which is selected and approved by the Commodity Credit Corporation and which is operated primarily for the purpose of conducting such loan activities. Such associations shall be used in administrative and supervisory activities relating to Commodity Credit Corporation price support and marketing activities under this section and section 359 of the Agricultural Adjustment Act of 1938. Such loans shall include, in addition to the price support value of the peanuts, sums necessary to pay for the cost of inspecting, handling, and storing the peanuts and such other costs as such association may reasonably incur in carrying out such responsibilities in its operations and activities under this section and section 359 of the Agricultural Adjustment Act of 1938. The Commodity Credit Corporation may discontinue use of any such association which fails or refuses to perform its functions in accordance with such terms and conditions as the Corporation may prescribe.

(2) The Commodity Credit Corporation shall require that each such association establish pools and maintain complete and accurate records by type for quota peanuts handled under loans and for nonquota peanuts produced without a contract between handler and producer described in section 359(j) of the Agricultural Adjustment Act of 1938. Net gains on peanuts in each pool, unless otherwise approved by the Commodity Credit Corporation, shall be distributed in proportion to the value of the peanuts placed in the pool by each grower. Net gains for peanuts in each pool shall consist of (A) for quota peanuts, the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in such pool plus an amount from the pool for nonquota peanuts to the extent of the net gains from the sale for domestic food and related uses of nonquota peanuts in the pool for nonquota peanuts equal to any loss on disposition of all peanuts in the pool for quota peanuts and (B) for nonquota peanuts, the net gains over and above the loan indebtedness and other costs or losses incurred on peanuts placed in the pool for nonquota peanuts less any amount allocated to offset any loss on the pool for quota peanuts as provided in clause (A) of this paragraph. Notwithstanding any other provision of this subsection, any distribution of net gains on nonquota peanuts of any type to any producer shall be reduced to the extent of any loss by the Commodity Credit Corpo-

ration on quota peanuts of a different type placed under loan by such grower.

(3) Peanuts received under loan by such associations shall be offered for sale for domestic food and related uses at prices not less than those required to cover all costs incurred by such associations for inspection, warehousing, shrinkage, and other purposes, plus (A) 100 per centum of the quota loan value if the peanuts are sold and paid for during the harvest season upon delivery by the producer or (B) 105 per centum of the quota loan value if sold after delivery by the producer but not later than December 31 of the marketing year, or (C) 107 per centum of the quota loan value if sold later than December 31 of the marketing year: Provided, That the quantity of nonquota peanuts of any type purchased by any handler for domestic food and related uses in any area during the harvest season for any crop shall be limited to not more than one-third of the purchases of quota peanuts of such type in the area by the handler during such harvest season.

(4) Any quota and nonquota peanuts received under loan which are not needed for domestic food and related uses under paragraph (3) of this subsection shall be offered for sale for crushing, export, or both at competitive market prices.

* * * * * * *

RESTRICTIONS ON SALES BY CCC

SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided*, That effective with the beginning of the marketing year for the 1961 crop, the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended: *Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges: *Provided*, That the Corporation shall not sell any of its stocks of wheat, corn, grain sorghum, barley, oats, and rye, respectively, at less than 115 per centum of the current national average

loan rate for the commodity, adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate, plus reasonable carrying charges. The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or wsate through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, shall make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States including the Virgin Islands declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855) and shall make feed owned or controlled by it available at any price not less than 75 per centum of the current basic county loan rate (or a comparable price if there is no current basic county loan rate) for assistance in the preservation and maintenance of foundation herds of cattle (including producing dairy cattle), sheep, and goats, and their offspring, in any area of the United States including the Virgin Islands where, because of flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe in such areas, the Secretary determines that an emergency exists which warrants such assistance, such feed to be made available only to persons who do not have, and are unable to obtain through normal channels of trade without undue financial hardship, sufficient feed for such livestock: *Provided*, That the Secretary may provide for the furnishing of feed, or mixed feed in accordance with regulations prescribed by him, to such persons by feed dealers under an arrangement whereby the feed grains (or other feed being sold by the Corporation) in the feed so furnished would be replaced with feed owned or controlled by the Corporation and sold to such persons at a price determined as provided above. Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State or other area. Nor shall the foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any

price-support program, or unduly affecting market prices, but in no event shall the purchase price exceed the Corporation's minimum sales price for such commodities for unrestricted use. For the purpose of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable value or quantity be exported, either in raw or processed form. Notwithstanding the foregoing, whenever prior to December 31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest. Notwithstanding any other provision of the law, (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells cotton for export, in no event, however, at less than 110 per centum of the loan rate for Middling one-inch upland cotton (micronaire 3.5 through 4.9) adjusted for such current market differentials reflecting grade, quality, location, and other value factors as the Secretary determines appropriate plus reasonable carrying charges and (2) the Commodity Credit Corporation shall sell or make available for unrestricted use at current market prices in each marketing year a quantity of upland cotton equal to the amount by which the production of upland cotton is less than the estimated requirements for domestic use and for export for such marketing year. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of part (2) of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. Notwithstanding any other provision of this section, effective August 1, 1968, the Commodity Credit Corporation shall make available during each marketing year for sale for unrestricted use at market prices at the time of sale, a quantity of American grown extra long staple cotton equal to the amount by which the production of such cotton in the calendar year in which such marketing year begins is less than the estimated requirements of American grown extra long staple cotton for domestic use and for export for such marketing year: *Provided*, That no sales shall be made at less than 115 per centum of the loan rate for extra long staple cotton under section 101(f) of this Act beginning with the marketing year for the first crop for which the national marketing quota for extra long staple cotton is not established under paragraph (3) of section 347(b) of the Agricultural Adjustment Act of 1938, as amended. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly. *Notwithstanding any other provision of this section, any peanuts from the 1976 crop received under loan which are not needed for domestic food and related uses shall be offered for sale for crushing, export, or both at competitive market prices.*

ADDITIONAL VIEWS

We oppose the provisions in this bill which mandate the subsidization of surplus peanuts into export markets. This section is contrary to basic United States trade policy objectives, would adversely affect our efforts in the Multilateral Trade Negotiations, would hinder United States action under Section 301 of the Trade Act of 1974 against foreign subsidy practices, and mandates by law that the United States make raw peanuts available to foreign consumers at prices cheaper than to U.S. consumers.

On balance, we feel that H.R. 12808 is a step in the right direction with respect to the peanut program. H.R. 12808 as presently drafted, however, is a step backward with respect to U.S. trade policy. Section 108(c)(4) and Committee Amendment No. 3 must be deleted from H.R. 12808. The existing law already gives the Administration the authority to dispose of peanuts produced in excess of domestic edible use. We object to Section 108(c)(4) as it is a new expression by the Congress in favor of mandatory export subsidies. It would be ill-advised and ill-timed for Congress to accept such provisions. The sections as now written would cause grave difficulty in our trade negotiations.

The clear policy of the Congress, most recently expressed in the Trade Act of 1974, has been to achieve conditions of free and fair trade in agricultural and manufactured products. The United States has made it clear to our trading partners that they cannot expect to export the burden of surpluses by subsidizing the export of those surpluses into world markets. We should not then violate this understanding by mandating export subsidies on peanuts.

Section 108(c)(4) of H.R. 12808 and Committee Amendment No. 3 would have serious adverse effects on the Multilateral Trade Negotiations currently under way in Geneva, Switzerland. The provision amounts to an export subsidy which would undercut our bilateral and multilateral efforts to protect American Agricultural producers and manufacturers from unfair competition from subsidized imports. The United States recently achieved an agreement with Brazil whereby Brazil will phase out its main export subsidy program on soybean oil. This action frees U.S. cotton and soybean farmers from unfair subsidized competition by our largest competitor in the international vegetable oil market. We must not mandate an action that would give cause for the Brazilians to reinstitute an export subsidy on vegetable oil products.

We have opposed European subsidies on non-fat dry cheese, canned hams, and meat to the U.S. market. In the recent past, the U.S. has threatened to levy countervailing duties on these products if they are exported with a subsidy. Our trading partners have taken adequate steps to eliminate a substantially reduced subsidy in order for the

Department of Treasury to waive the imposition of countervailing duties.

In enacting Section 108(c)(4) and Committee Amendment No. 3, we could be doing exactly what we have asked others not to do.

These provisions would make it extremely difficult for the U.S. to take action under Section 301 of the Trade Act of 1974 against foreign subsidy practices that impede export sales of U.S. agricultural products. Section 301 complaints against European Community subsidies on wheat flour and barley malt have already been filed and are presently being processed by the Special Trade Representative for Trade Negotiations (STR). How can the U.S. take actions against such practices if we are engaged in similar practices of our own?

This provision would undercut STR efforts to secure cooperation from the European Community to ameliorate the impact of these subsidies on our trade.

Section 108(c)(4) and Committee Amendment No. 3 have the effect of mandating by law that the United States taxpayer and consumer subsidize the European and Canadian consumer's purchase of peanuts. Between 1965 and 1972, raw peanuts were sold for 10¢ a pound less to the foreign buyer than to a United States buyer. The taxpayer paid the difference.

Section 108(c)(4) and Committee Amendment No. 3 will mandate by law that the U.S. return to a program that requires a subsidy on peanuts to the Canadian and European consumers. We do not believe that Congress should vote for and thereby mandate peanuts be made available at a cheaper price to the foreign consumer than to the U.S. consumer. It is irresponsible for Congress to mandate cheaper food prices abroad and higher food prices at home.

The provisions mandating an export subsidy for peanuts contradicts established U.S. policy. We agree with the distinguished Chairman of the House Ways and Means Committee, Mr. Ullman, when he wrote to the Committee opposing this provision stating that ". . . any new use of export subsidies at this time would have a serious impact on the basic U.S. trade policy and could jeopardize these efforts in the multilateral trade negotiations."

We respectfully call your attention to Mr. Ullman's letter of August 6, 1976, to Chairman Thomas S. Foley and all other letters included in the appendix to these Additional Views.

Our dairy, soybean, wheat, cotton, feed grains, peanut, and livestock farmers and our manufacturing industries have too much at stake for the Congress to allow these shortsighted provisions to remain in H.R. 12808.

In addition to Chairman Ullman, Ambassador Clayton K. Yeutter, Deputy Special Representative for Trade Negotiations; Secretary of Agriculture Earl L. Butz; Secretary of the Treasury William E. Simon; the Chairman of the House Agriculture Committee Thomas S. Foley and the Ranking Minority Member of the House Agriculture Committee, William C. Wampler, have also gone on record in opposition to these restrictive trade provisions. We recommend the House also go on record in opposition to Section 108(c)(4) and Committee

Amendment No. 3 of H.R. 12808, and we ask your support for our efforts to delete these negative sections from this basically positive legislation.

WILLIAM C. WAMPLER.
KEITH G. SEBELIUS.
PAUL FINDLEY.
CHARLES THONE.
STEVEN D. SYMMS.
EDWARD R. MADIGAN.
MARGARET M. HECKLER.
RICHARD KELLY.
TOM HAGEDORN.
W. HENSON MOORE.

COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C., August 6, 1976.

HON. THOMAS S. FOLEY,
Chairman, Committee on Agriculture,
1301 Longworth House Office Building

DEAR MR. CHAIRMAN: I understand that the Committee on Agriculture is considering H.R. 12808, a bill to amend the Agricultural Adjustment Act in regard to peanut programs, which was recently reported by the Subcommittee on Oilseeds and Rice. I believe that a provision of H.R. 12808 could have serious adverse effects on the Multilateral Trade Negotiations (MTN) currently underway in Geneva, Switzerland. As you know, oversight of these negotiations is the responsibility of the Committee on Ways and Means. Therefore, I wish to express my concern about this provision and suggest possible alternatives for your consideration.

Section 8 "(c)(4)" of H.R. 12808 would, in effect, create a subsidy on exports of peanuts received under loan which are not needed for domestic food and related uses. As I understand the use of this provision, the Commodity Credit Corporation would absorb the difference between the acquisition price and world market price on peanut export sales. If this is in fact the case, an export subsidy would be created of a kind against which the United States applies its countervailing duty statute when imposed by other countries.

I am, of course, aware of the dilemma faced by the Department of Agriculture in attempting to deal with large stocks of peanuts and peanut products. I would hope, however, that it would be possible to find a solution to this problem which would not adversely affect the Administration's attempts internationally to move countries away from export subsidy practices.

In the current Multilateral Trade Negotiations, authorized by the Trade Act of 1974, the United States is the major proponent of an export subsidy code which, if successful, would greatly restrict and reduce the use of export subsidies in international trade. Efforts of U.S. negotiators in this regard strongly reflect the viewpoint which has been put forward by the private sector advisory committees estab-

lished under the Trade Act of 1974. Any new use of export subsidies at this time would have a serious impact on basic U.S. trade policy and could jeopardize these efforts in the MTN.

The use of export subsidies by the U.S. Government would also make it extremely difficult for the Administration to take action under section 301 of the Trade Act of 1974 against foreign subsidy practices that impede export sales of U.S. agricultural products. As you may know, the Office of the Special Representative for Trade Negotiations (STR) has already received section 301 complaints against European Community subsidies on wheat flour and barley malt. The STR has been pressing the Community to take measures to ameliorate the impact of these subsidies on our trade. The use of export subsidies would seriously undercut the thrust of this effort.

Finally, as you know, the Administration has recently obtained a commitment from Brazil to phase out its export subsidies on soybean oil. These subsidies had adversely affected U.S. exports of soybean oil to the European Community and had been raised as a matter of serious concern by the U.S. soybean industry. In light of our success with Brazil, it would seem to be most inappropriate for us to initiate a program of a similar nature to the one we have asked them to phase out.

In view of the serious policy issues that are raised by this matter, I would hope that some alternative could be found to deal with the disposal problem. The following three possibilities come to mind, and perhaps there are others:

(1) delete the provision;

(2) limit application of the provision to sales for domestic use at competitive prices; or

(3) make the provision discretionary.

In closing, I want to thank you in advance for your careful consideration of these points before final Committee action on H.R. 12808.

Sincerely yours,

AL ULLMAN,
Chairman.

THE SECRETARY OF THE TREASURY,
Washington, August 9, 1976.

Hon. PAUL FINDLEY,
House of Representatives,
Washington, D.C.

DEAR MR. FINDLEY: Thank you for your letter requesting my views on Section 8, Paragraph (4) of H.R. 12808, the proposed "Peanut Act of 1976". Treasury strongly opposes the mandatory sales provision in that section of the bill. The provision amounts to an export subsidy, which would, in our opinion, undercut the Administration's bilateral and multilateral efforts to protect American agricultural producers and manufacturers from unfair competition from subsidized imports.

In accord with the mandate of the Congress, most recently expressed in the Trade Act of 1974, the Administration has made clear its determination to achieve conditions of free and fair trade in agricultural products as well as manufactures. At home, we have been getting the government out of agriculture. We have cut the cost of government

subsidies to U.S. farmers from $3.4 billion during 1966 through 1969 to $278 million in 1975. Abroad we have made clear to our trading partners that they cannot expect to export the burden of surpluses created by inappropriate agricultural policies by subsidizing the export of those surpluses into world markets.

As the cabinet officer responsible for the implementation of our countervailing laws, I have taken a personal interest in international solutions to the problems caused by subsidies.

We have recently achieved an agreement with Brazil whereby Brazil will phase out its main export subsidy program on soybean oil. This agreement frees U.S. exporters from unfair subsidized competition by our largest and most aggressive competitor on the international vegetable oil market.

The Treasury Department has taken a lead in developing U.S. proposals for multilateral solutions to the subsidy problem in the Multilateral Trade Negotiations in Geneva. My staff is cooperating closely with that of Ambassador Dent in the current negotiations to achieve an internationally agreed code of rules and procedures governing the use of subsidies and countervailing duties.

The mandatory sales provision provided by Section 8(4) of the bill constitutes an export subsidy. Sales of surplus peanut oil at competitive market prices would be at prices below CCC acquisition costs. The difference between these two prices would be the margin of subsidy.

In enacting this provision the United States would be doing just what we have told others they must not do. We would be attempting to force upon our trading partners the burden of adjusting to our peanut support policy. The price of this action would be very high. We would jeopardize our recent agreement with Brazil on soybean oil export subsidies, thus potentially hurting an important U.S. export sector. We would also seriously endanger our ability to negotiate a satisfactory international subsidy code in Geneva, thus adversely affecting all U.S. producers who would like protection from foreign subsidies.

In addressing the peanut stock problem, I urge you and your colleagues to seek legislation that gives the Executive Branch maximum possible latitude to work out internationally acceptable solutions. In so doing, you would permit the solution of the problem without endangering our progress on the international subsidy problem and without hurting American producers and manufacturers who have a direct stake in its long-term solution.

Sincerely yours,

WILLIAM E. SIMON.

DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS,
Washington, April 26, 1976.

Hon. DAWSON MATHIS,
Chairman, Subcommittee on Oilseeds and Rice, House Agriculture Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I am writing to you to express the concern of this Office with respect to the implications of certain provisions of H.R. 12808, "the Peanut Act of 1976" for our international trade

policy. My specific concern is with Section 108(c)(4) which, in essence, provides for the subsidization of surplus peanuts into export markets.

Any use of what will be perceived as an export subsidy under Section 108(c)(4) would be contrary to basic U.S. trade policy objectives, and would adversely affect our efforts in the Multilateral Trade Negotiations (now underway in Geneva) to reach agreement on an export subsidy code. The U.S. is the major proponent of such a code—reflecting the viewpoint of our private sector advisory committees, which were established under the Trade Act of 1974.

Section 108(c)(4), as now written, would also make it extremely difficult for us to take action under Section 301 of the Trade Act of 1974 against foreign subsidy practices that impede export sales of U.S. agricultural products. Section 301 complaints against European Community subsidies on wheat flour and barley malt have already been filed, and are presently being processed by this Office. But how can we take actions against such practices if we are engaged in similar practices of our own?

Mr. Chairman, I believe that H.R. 12808 in general represents an important step toward placing the U.S. peanut program on more of a market oriented basis. As you know, we have worked on peanut legislation for a long time, and I much appreciate the personal leadership that you have provided on this difficult issue. I would strongly urge, however, that Section 108(c)(4) be amended to preclude the possibility of "subsidization" of U.S. peanuts and peanut products into export markets. If this is not done, other sectors of U.S. agriculture will certainly be damaged, and our trade negotiating efforts in Geneva will be seriously hampered.

If you wish, I would be pleased to discuss this issue with you, or with the Subcommittee, at any time.

Sincerely,

CLAYTON K. YEUTTER.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 6, 1976.

Hon. DAWSON MATHIS,
Chairman, Subcommittee on Oilseeds and Rice, Committee on Agriculture, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter confirms our telephone conversation earlier today regarding resale policy for peanuts acquired under the prices support program.

As I indicated, we strongly believe that Section 108(c)(4) of H.R. 12808 should be deleted from the bill. This section, in essence, mandates the use of export subsidies for disposal of surplus peanuts acquired under the price support program. Section 407 of the Agricultural Act of 1949, as amended, provides adequate flexibility for me to determine a surplus disposal policy for the 1977 peanut crop in line with the intent of H.R. 12808. In fact, as I told you over the telephone, I assure the Subcommittee that the Administration intends to offer any surplus 1977 crop peanuts acquired by the Commodity Credit Corporation for sale at competitive market prices.

Sincerely,

EARL L. BUTZ,
Secretary.

ADDITIONAL VIEWS TO AGRICULTURE COMMITTEE REPORT ON H.R. 12808

I commend the members of the Committee for approving H.R. 12808, which appears to represent a long-overdue step in the right direction, cutting back on the outdated and costly government subsidy program for peanut production in this country. However, as I stated in my testimony before this Committee, this step is by no means far enough. In fact, it is off target in terms of the type of real reforms that are needed. For these reasons, I must record my objections.

H.R. 12808 only prolongs the continuation of a program whose time is ended. This program has already cost consumers and taxpayers enough. It is time we, as elected representatives, call a halt to all government programs that blatantly waste the taxpayer's money. And the waste evident in the peanut subsidy program could not be more obvious.

Last year, out of the 1.9 million tons of peanuts produced, 640,000 tons or around one-third of the entire peanut crop was purchased by the government under the auspices of the commodity credit corporation at prices more than twice that of the world price ($394 per ton in the U.S., $150 per ton on the world market). This cost the American taxpayer over $155 million. This year the support price is $414 per ton. U.S. prices will again double the world market price. This situation, with over one billion pounds of peanuts and 200,000 lbs. of peanut oil in storage is outrageous and unjustifiable.

What can be more wasteful than the government continuing to encourage the production of peanuts that cannot be sold on either domestic or world markets. The price, due to our support level, is simply too high. H.R. 12808 does not alleviate this waste.

In addition, consumers will not benefit from the small savings that H.R. 12808 will achieve. I wholeheartedly concur with the opinions regarding consumers as expressed in the Supplemental Views to the Committee's Report. H.R. 12808 will do nothing to halt rising consumer prices which have gone from 61¢ in 1972 to 97¢ for an 18 oz. jar of peanut butter. This increase of over 50% in five years will only continue as long as the price support system lives.

Our agricultural policy priorities simply must change. The complete phasing-out of the present antiquated peanut program must begin now. H.R. 12808 does not go far enough.

PETER A. PEYSER.

SUPPLEMENTAL VIEWS

H.R. 12808 as approved by the Agriculture Committee makes a number of needed and desirable changes in the peanut support program. Farmers not now holding acreage allotments for peanuts will be enabled for the first time to market this multi-use crop, although they will not receive the exceptionally high price allowed to allotment holders who will still be the only growers permitted to sell peanuts for domestic food use. Moreover, H.R. 12808 will significantly reduce the massive costs incurred by the Department of Agriculture in supporting peanut prices.

It is unfortunate, however, that consumers are not to be allowed to share in the benefits of the limited reforms which H.R. 12808 would achieve. Indeed, the bill will do nothing to reduce or even halt the inexorable increase in the price to consumers which the existing program necessitates every year for peanut butter, cocktail peanuts, and other food proudcts made from this good source of protein.

Peanuts are supported under existing legislation at a *de facto* rate of 71 percent of parity—a level which would be hardly changed by the provisions of H.R. 12808 supporting peanuts for domestic edible uses at 70 percent of parity. In practice, this will continue to mean predictably higher prices, year-in and year-out, for peanut products. In fact, a major manufacturer of peanut butter announced a wholesale price increase of 2½ cents per pound the same week the Committee ordered H.R. 12808 reported, attributing the increase largely to the higher price of peanuts required under the present program.

During this time of rising food prices, we suggest that consumers also be allowed to benefit from H.R. 12808. This could be accomplished by reducing the support price to 60 percent of parity instead of 70 percent as contained in the bill. Testimony by the manufacturer of the largest selling brand of peanut butter assured the Committee that a reduction in parity support to 60 percent would be passed along to consumers in the form of a price cut at retail of approximately 5 cents for an 18-oz. jar; market pressures would undoubtedly induce other manufacturers to lower the price of their own peanut butter brands competitively.

Moreover, support at 60 percent of parity will provide a fair return to the peanut farmer. According to USDA projections for the year 1977 (which are based on national averages of peanut yields per acre), the net income for peanuts produced on an acre of land at 70 percent of parity (exclusive of land and management costs) will be $281—or 52 percent of the farmer's selling price. Peanuts are clearly a very lucrative crop—possibly the most profitable crop a farmer can raise.

However, even at 60 percent of parity, peanut farmers in 1977 would realize $205 an acre—at 45 percent of the farmer's selling price, still an excellent return.

It should also be pointed out that according to Assistant Agriculture Secretary Richard Bell, such a reduction would save the taxpayers a total of $105 million annually, $25 million more per year than the expenditure reduction which H.R. 12808 is expected to accomplish.

But while these additional savings to the government are important, our principal objection to H.R. 12808 as approved by the majority is its failure to benefit consumers, or even indeed to recognize the stake that consumers have in the peanut support program.

Consumer marketing experience indicates that an appreciable reduction in the retail price of peanut butter will produce expanded sales as consumers turn from more expensive sandwich fillings. This, we submit, would be in the long-term interests of consumers, peanut farmers, and manufacturers of peanut products alike. A reduction in the price support for peanuts to 60 percent of parity would contribute significantly to this objective.

MARGARET M. HECKLER.

○